

FISCAL NOTE

Bill #: HB0722

Title: Provider tax on intermediate care facilities

Primary Sponsor: Clark, E

Status: Senate – Second Reading

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary	FY 2003	FY 2004	FY 2005
	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
Expenditures:			
General Fund	\$426,018	\$917,585	\$922,466
State Special Revenue	\$298,213	\$642,039	\$645,726
Federal Special Revenue	\$1,114,118	\$2,364,548	\$2,394,823
Revenue:			
General Fund	\$438,289	\$944,111	\$944,882
State Special Revenue	\$298,213	\$642,310	\$645,726
Federal Special Revenue	\$1,114,118	\$2,364,548	\$2,394,823
Net Impact on General Fund Balance:	\$12,269	\$26,426	\$22,416

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|--|---|
| <input type="checkbox"/> Significant Local Gov. Impact
<input type="checkbox"/> Included in the Executive Budget
<input checked="" type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Technical Concerns
<input type="checkbox"/> Significant Long-Term Impacts
<input type="checkbox"/> Needs to be included in HB 2 |
|--|---|

Fiscal Analysis

ASSUMPTIONS:

- HB722 imposes a utilization fee on intermediate care facilities providing services to the mentally retarded.
- The fee is 5% of the intermediate care facility's quarterly revenue divided by the resident bed days for the quarter. After calculating the utilization fee, it's multiplied by the number of resident bed days and submitted to the state. For purposes of this bill, revenue is defined as "total expenditures for a quarter" for a state operated facility.
- The fee is deposited 30% in the state general fund and 70% in a state special revenue fund created by the bill to the credit of DPHHS.
- Two intermediate care facilities would be subject to the fee, both of which are state operated facilities.
- For the Eastmont facility, the budgeted total cost for FY03 is \$3,680,185. The facility has 11,680 annual bed days. Since the bill requires a quarterly payment, the FY03 total costs and annual number of bed days are divided by 4 to arrive at the quarterly estimate. For Eastmont the quarterly expenditure (revenue) is \$920,046 ($\$3,680,185/4 = \$920,046$) and the quarterly number of bed days is 2,920 ($11,680/4 = 2,920$).
- The 5% utilization fee for Eastmont is \$15.75 per bed day ($\$920,046 \times .05 = \$46,002/2,920 = \15.75). Completing the calculation as described in the bill yields a quarterly payment to the department of \$46,002 ($\$15.75 \times 2,920 = \$46,002$).

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7. Of this amount, 30%, or \$13,801 ($\$46,002 \times .30 = \$13,801$) is deposited in the state general fund each quarter. 70%, or \$32,202, ($\$46,002 \times .70 = \$32,202$) is deposited in the state special revenue account established by the bill
8. For Eastmont the state general fund would receive \$27,602 in FY03 ($\$13,801 \times 2 = \$27,602$) and the state special revenue fund would receive \$64,404 ($\$32,202 \times 2 = \$64,404$).
9. Based on appropriations in HB2 revenue at Eastmont increases 13.48% in FY04 and .68% in FY05. Full year revenues will be \$62,645 general fund and \$146,172 state special in FY04 and \$63,072 general fund and \$147,167 state special in FY05.
10. For MDC the budgeted cost for FY03 is \$13,360,543. The facility has 32,850 annual bed days. Again, the bill requires a quarterly payment so the FY03 total costs and annual number of bed days are divided by 4 to arrive at the quarterly estimate. For MDC the quarterly expenditure (revenue) is \$3,340,136 ($\$13,360,543 / 4 = \$3,340,136$) and the quarterly number of bed days is 8,213 ($32,850 / 4 = 8,213$).
11. The 5% utilization fee for MDC is \$20.34 per bed day ($\$3,340,136 \times .05 = \$167,007 / 8,213 = \20.34). Completing the calculation as described in the bill yields a quarterly payment to the department of \$167,007 ($\$20.34 \times 8,213 = \$167,007$).
12. Of this amount, 30%, or \$50,102 ($\$167,007 \times .30 = \$50,102$) is deposited in the state general fund each quarter. 70%, or \$116,905 ($\$167,007 \times .70 = \$116,905$), is deposited in the state special revenue account established by the bill. From the MDC facility, the state general fund would receive \$100,204 in FY03 ($\$50,102 \times 2 \text{ quarters} = \$100,204$) and the state special revenue fund would receive \$233,810 ($\$116,905 \times 2 \text{ quarters} = \$233,810$).
13. Based on appropriations in HB2 revenue at MDC increases 6.10% in FY04 and .49% in FY05. Full year revenues will be \$212,630 general fund and \$496,137 state special in FY04 and \$213,668 general fund and \$498,559 state special in FY05.
14. For FY04, the state general fund would receive \$275,275 ($\$212,630 + \$62,645 = \$275,275$). The state special revenue account would receive \$642,309 ($\$496,137 + \$146,172 = \$642,309$).
15. For FY05, the state general fund would receive \$276,740 ($\$213,668 + \$63,072 = \$276,740$). The state special revenue account would receive \$645,726 ($\$496,137 + \$146,172 = \$645,726$).
16. This bill is effective on passage and approval and is applicable to tax years beginning after December 31, 2002. There is a fiscal impact to FY03. In the remaining two quarters of FY03, the state general fund would receive \$127,806 $\{(\$13,801 + \$50,102) \times 2 = \$127,806\}$. The state special revenue account established in the bill would receive \$298,213 $\{(\$116,905 + \$32,202) \times 2 = \$298,213\}$
17. Costs associated with developing the forms necessary for compliance can be performed within current budget. There are no administrative impacts to the department.
18. There is appropriated to DPHHS from the general fund \$426,018 in FY03; \$917,585 in FY04 and \$922,466 to be used for payment of the utilization fee.
19. There is appropriated to DPHHS from the special revenue account created by this bill \$298,213 in FY03; \$642,039 in FY04 and \$645,726 in FY05. The appropriation is used for financing, administering and providing health and human services.
20. There is appropriated to DPHHS from the federal special revenue account \$1,114,118 in FY03; \$2,364,548 in FY04 and \$2,394,823 in FY05. The appropriation is used for financing, administering and providing health and human services.
21. The facilities will pay the fees each quarter to the Department of Revenue. These fees will be included in the Medicaid billing as part of the facilities operational costs. The facilities will submit a claim to the federal Medicaid program. Medicaid will reimburse the state general fund at the Federal Medical Assistance Participation (FMAP) rate. FMAP is estimated to be 72.88 percent in FY2004 and 72.43 percent in FY2005.

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<u>FISCAL IMPACT:</u>	FY2003	FY 2004	FY 2005
<u>Expenditures</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
Operating Expenses – taxes	\$426,018	\$917,585	\$922,466
Benefits	<u>\$1,412,331</u>	<u>\$3,006,587</u>	<u>\$3,040,549</u>
Total	\$1,838,349	\$3,858,624	\$3,892,586

<u>Funding of Expenditures:</u>			
General Fund (01)	\$426,018	\$917,585	\$922,466
State Special Revenue (02)	\$298,213	\$642,039	\$645,726
Federal Special Revenue (03)	<u>\$1,114,118</u>	<u>\$2,364,548</u>	<u>\$2,394,823</u>
Total	\$1,838,349	\$3,858,624	\$3,892,586

<u>Revenues:</u>			
General Fund (01) - Tax	\$127,806	\$275,276	\$276,740
General Fund (01) – Inst. Reimbursements	\$310,483	\$668,736	\$668,142
State Special Revenue (02)	\$298,213	\$642,310	\$645,726
Federal Special Revenue (03)	<u>\$1,114,118</u>	<u>\$2,364,548</u>	<u>\$2,394,823</u>
Total	\$1,838,349	\$3,858,624	\$3,892,586

<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>			
General Fund (01)	\$12,269	\$26,426	\$22,416
State Special Revenue (02)	0	(\$271)	0
Federal Special Revenue (03)	0	0	0

TECHNICAL NOTES:

1. This fiscal note bases estimated revenues on FY03 expenditures within the Department of Public Health and Human Services. Since the estimated amount of revenue generated by this proposal is from a state agency, that agencies budget for operation of the facilities will impact the amount of revenue received by the Department of Revenue.
2. If HB 727 is passed and approved, Eastmont Human Service Center will close on or before December 31, 2003. The following appropriations will be needed in FY2004 and FY2005:

	<u>General Fund</u>	<u>State Special Revenue</u>	<u>Federal Special Revenue</u>
FY2004	\$833,971	\$583,780	\$2,176,598
FY2005	\$798,486	\$558,940	\$2,046,753

The net impact to the general fund will still be positive, but will be reduced to \$24,081 in FY04 and \$17,307 in FY05.